
REPORT 1
(1215/52/02IM)

REVIEW OF THE PERFORMANCE OF ALL COUNCIL CONTROLLED ORGANISATIONS FOR THE QUARTER ENDED 30 SEPTEMBER 2011

1. Purpose of Report

To provide the Subcommittee with an analysis of the performance of all Council Controlled Organisations (and other selected entities) for the quarter ended 30 September 2011, in compliance with the Local Government Act 2002 and Council reporting requirements.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Recommend that the Strategy and Policy Committee notes the following matters with regard to the first quarter 2011/12 performance of Council Controlled Organisations:*
 - (a) *The Basin Reserve Trust had a strong quarter of activity as a result of hosting four training sessions as part of Rugby World Cup 2011. Work continues on completing maintenance work identified in the Shand Shelton report, and the trial night time closure of the ground is being well received.*
 - (b) *For the first quarter, Capacity overspent relative to budget on capex for Wellington City Council. No year-end variance is expected at this stage. Construction on the Tacy Street stormwater pump station and the Messines Road reservoir continues.*
 - (c) *Positively Wellington Tourism was heavily involved in the planning and delivery of Rugby World Cup 2011 events and has reported a very strong quarter across all of its key performance areas.*
 - (d) *Positively Wellington Venues had its first quarter of operation with the St James Theatre and Opera House fully merged into the business structure. Venue utilisation is tracking well, despite the anticipated drop-off of corporate business during the Rugby World Cup 2011 period. Progress continues towards the wind up of the St James Theatre Trust in quarter two.*

- (e) Cable car passenger numbers for the quarter were 221,962, which was 11% below budget and 3% below the same period last year. Passenger numbers in the quarter were impacted by the cable car breakdown in August, following the snow storm.*
 - (f) Overall, visitor numbers for the Museums Trust in quarter one were 124,782, 12% short of its quarterly target. Museum of Wellington performed particularly well; but City Gallery, Carter Observatory, Capital E and Cable Car Museum were all below their quarterly targets. However, repeat visitation to the Trust's museums and gallery spaces was 42% for the quarter, well above the 27% reported for the same period last year.*
 - (g) Wellington Waterfront Limited helped facilitate numerous events on the waterfront associated with Rugby World Cup 2011. Preparation work has continued on the Overseas Passenger Terminal development project. Wellington Waterfront Limited's Asset Management Plan was signed off by the auditors during the quarter.*
 - (h) Quarter one visitation for Wellington Zoo of 51,608 was ahead of target by 9,590 and ahead of last year by 7,077. Zoo management attribute the increase to favourable word of mouth and press around Happy Feet and other new exhibits.*
 - (i) Wellington Regional Stadium Trust had a good first quarter. The Stadium hosted eleven events, including four Rugby World Cup events, and tracked above budget.*
 - (j) The Karori Sanctuary Trust exceeded its quarterly visitor target by 3% and last year's quarter one result by 9.7%, mainly due to pre-booked tours to see Sirocco. A number of strategies have been implemented to enhance the education and visitor experience. At the last Council Controlled Organisations Performance Subcommittee meeting, the Subcommittee requested that the Trust provide any request for operational funding support from the Council by 30 November 2011.*
- 3. Note any other issues for the Chair to raise with the Strategy and Policy Committee in regard to this report.*
 - 4. Note any issues for the Chair to raise with the entities covered by this report.*

3. Background

It is a requirement of the Local Government Act 2002 (the Act) that where the Council is a shareholder in a council organisation it must regularly undertake performance monitoring of that organisation to evaluate its contribution to the achievement of:

- The Council's objectives for the organisation
- The desired results, as set out in the organisation's statement of intent
- The Council's overall aims and outcomes.

The Council Controlled Organisations Performance Subcommittee (CCOPS) is tasked with the assessment of the efficiency and effectiveness of each entity. Officers have included a brief overview that includes the agreed Key Performance Indicators and financial summaries. The issues that have been identified from officers' reviews are included in this covering report.

4. Entities covered by this report

4.1 Council Controlled Organisations

To comply with statutory requirements, officers will report quarterly to the Subcommittee on the performance of Council Controlled Organisations (CCOs). These are:

Basin Reserve Trust
Capacity Infrastructure Services Ltd
Partnership Wellington Trust (Positively Wellington Tourism)
Wellington Venues Ltd (Positively Wellington Venues)
Wellington Cable Car Ltd
Wellington Museums Trust
Wellington Waterfront Ltd
Wellington Zoo Trust

4.2 Wellington Regional Stadium Trust

A Court of Appeal ruling clarified the Trust's status and confirmed that it is not a CCO. It is included in this report on a summary basis because of the materiality of the Council's financial commitment to the Trust and the Trust's contribution to Council outcomes.

4.3 Council Organisations

At previous CCOPS meetings it was recommended that a number of Council Organisations also be monitored on a quarterly basis. Accordingly, the following entities have been included within this quarter:

Karori Sanctuary Trust (Zealandia)
Wellington International Airport Limited (Public Excluded)

4.4 Summary Reports

Previous CCOPS meetings have agreed to accept half-yearly written reports for Capacity Infrastructure Services Ltd and Wellington Regional Stadium Trust. Accordingly, these entities are included on a summary basis in this report.

5. Issues for the Subcommittee to consider

Council Controlled Organisations:

5.1 Basin Reserve Trust

The Basin Reserve had a strong quarter of activity, hosting four training days as part of RWC2011 along with several other events. Work has continued on the programme of repairs and maintenance detailed in the Shand Shelton Condition Assessment. The quarter also saw the continuation of the trial closure of the ground between 10pm and 6am. There have been no adverse comments received about this action, and initial results suggest that the closure is having a positive impact on public safety and damage to the Basin.

After allowing for depreciation, the Trust made an operating surplus of \$61k with better than expected income as a result of unanticipated event days as part of RWC2011.

5.2 Capacity Infrastructure Services Ltd

For the first quarter, Capacity is overspent relative to budget on capex for Wellington City Council by \$723k (or 18%). This reflects the commencement of a number of renewals projects ahead of schedule. No year end variance is expected at this stage.

For the first quarter, Capacity is effectively in line with budget for opex spend for Wellington City Council; it is underspent by \$99k (or 1%). There is an overspend currently forecast for year end. In particular, the Waring Taylor culvert cleaning has required more work than anticipated and will cost more than originally budgeted for.

The Company is currently tracking largely in line with its budget; the net surplus for the quarter was \$10k.

Construction of one of the two upgraded reservoirs off Messines Road, Karori, has been completed. Demolition of the remaining original reservoir will start after the first new reservoir is commissioned. Construction of the second reservoir is scheduled for completion by December 2012 with site reinstatement and landscaping following in 2013. To date, construction of the Messines Road Reservoir is on schedule and within budget.

Design of a new roof and seismic strengthening of the Carmichael Reservoir in Newtown has been completed. The construction work was delayed due to additional design work required. Tenders have been called for the upgrading work which is expected to be completed in the first half of 2012. The Stewart Duff Drive water main supplying the Airport was renewed following a failure in May.

Construction of the stormwater pump station in Tacy Street, Kilbirnie continues. It is scheduled for completion by the end of the year. The project has been delayed by unforeseen buried services and difficulties associated with sinking the exterior concrete walls of the pump station nine metres below the surface in reclaimed land. Construction of the interior and roof of the pump station and installation of the pumps will be undertaken in the second quarter.

The Company is currently on track to meet the majority of its KPIs. The 'response to service request' KPI for Wellington City Council is currently tracking at 99% (water), 97% (stormwater) and 96% (wastewater), relative to an overall target of 97%. This reflects improvement, albeit incremental, in the reporting of this measure. The contractor is continuing to trial portable devices to improve reporting of this metric.

The harbour/coastal sites where faecal coliform bacteria counts are less than 2000 per 100 mls KPI is currently tracking at 75%, compared to a target of 80%. The wastewater overflow mitigation pilot project undertaken in Miramar catchment identified that additional investigation is required to substantiate the extent of the inflow infiltration. Capacity has inspected the sewer drains with CCTV, reviewed the results and has recommended remedial works including spot repairs and renewal of sewer mains. Any drain with a significant structural fault has been scheduled for repair within this financial year. The Company has also been continuing with the monitoring of constructed overflow points to develop an approach to reduce stormwater inflow and infiltration and its effects on the frequency of wastewater entering streams and the sea.

5.3 *Positively Wellington Tourism (Partnership Wellington Trust)*

Positively Wellington Tourism was heavily involved in the organising and delivery of Wellington activities for RWC2011, including promoting the Festival of Carnivale. Other activities during the quarter included Visa Wellington on a Plate that attracted 47% more festival attendees than last year. PWT also successfully launched the Scratch to Win KNOW acquisition campaign to grow its e-news data base, with 15% growth. Work continues on the Australia Marketing campaign with new regional partners, including Hawke's Bay Tourism, now confirmed.

PWT has reported a very strong quarter across all of their key outcome areas. This includes an operating surplus of \$897k against a budgeted surplus of \$614k, due in part to a lower than budgeted spend on the Australian Marketing campaign through their partnership with Air New Zealand.

5.4 *Positively Wellington Venues*

Trading as Positively Wellington Venues, this was the first quarter of operations for the fully merged entity, including the St James Theatre and the Opera House (which became part of PWV on 01 July 2011). Good progress has been made to establish a strong leadership team and they are now implementing the next phase of the change management process. Venue utilisation is tracking well, despite the anticipated drop-off of corporate business during the RWC2011 period. PWV also prepared a submission on the Council's Economic Development Strategy.

The financial outcome for the quarter was a \$187k deficit against a budgeted surplus of \$125. This is attributed to some one-off unbudgeted costs, including transitional HR related and legacy transaction expenses. There are on-going capital expenditure costs, including \$180k budgeted for an extensive office fit out in the Michael Fowler Centre in order to bring all non-venue specific staff on to the same site.

The St James Trust is nearing the end of the wind-up process with the transfer of Assets and board sign-off expected in quarter two. Work on the Heads of Agreement between the Council and PWV is progressing and is expected now to be signed in quarter two.

5.5 Wellington Cable Car Ltd

Cable car passenger numbers for the quarter were 221,962, which was 11% below budget and 3% below the same period last year. Passenger numbers in quarter one were impacted by the cable car breakdown in August. The power supply to the cable car was affected by spikes from the national grid during the snow storm and the cable car was out of action from Monday night through Thursday afternoon (and subject to graffiti attack). A 'free' day was run on the Friday as a thank-you for customers' patience. The Company estimates that this breakdown resulted in the loss of approximately 9,600 passenger trips and \$16,000 in fare income.

The Company estimates that, while there was some increase in adult cash fare trips during September (the fare category likely for RWC2011 visitors), there was no net passenger gain relative to last year. This reflects changes in local transport and activity plans, including the school holidays being moved to October.

5.6 Wellington Museums Trust (including Carter Observatory)

Overall, visitor numbers for the Museums Trust in quarter one were 124,782, 12% short of its quarterly target. Museum of Wellington performed particularly well; however, City Gallery, Carter Observatory, Capital E and Cable Car Museum were all below their quarterly targets. This mixed performance is attributed in part to lower than expected visitation during the RWC2011 period. *Oceania*, the exhibition jointly hosted by City Gallery and Te Papa, returned disappointing numbers which are now under review. However, repeat visitation to the Trust's museums and gallery spaces was 42% for the quarter, well above the 27% reported for the same period last year.

The Trust is continuing work on the Plimmer's Ark project and the redevelopment of the Cable Car Museum's retail space, while the new interactive exhibition at the Carter Observatory was completed and includes the Pickering Gallery exhibition and Tuhura Space Module – an interactive space for young people.

5.7 Wellington Waterfront Ltd

Working in conjunction with the Council's Events team, Wellington Waterfront Limited helped facilitate numerous events on the waterfront associated with RWC2011. Moreover, in addition to completing work on the Kumutoto Toilets,

the toilets by the lagoon on Frank Kitts Park were refurbished in time for RWC activities. Preparation work continued on the OPT development project, with construction expected to begin in quarter two. A relocation agreement was reached with existing OPT ground-floor tenants and TAG has signed off on the final design work. WWL's Asset Management Plan was signed off by the auditors during the quarter.

Better than expected lease and car park revenue during the quarter resulted in an \$800k deficit against a budgeted loss of \$864. Property costs were \$154k over budget due mainly to timing differences in projects that were moved forward for RWC2011. As at 30 September, the loan advance was \$11.4 million. This is to be offset by commercial proceeds in June, but should this income not be realised then WWL will exceed their \$15 million loan financing by year end.

5.8 Wellington Zoo Trust

Quarter one visitation for Wellington Zoo of 51,608 was ahead of target by 9,590 and ahead of last year by 7,077. Zoo management attribute the increase to favourable word of mouth and press around Happy Feet and other new exhibits. Happy Feet was released in early September and nearly 2,000 visitors attended the Haere Ra Happy Feet event. An independent media monitor estimated the value of the U.S. media coverage received at \$5.4m. There was also a huge spike in the number of native animal admissions for The Nest, due to the prion 'wreck' in July when over 700 birds were treated, including being hand-fed twice daily.

In relation to the Zoo Capital Plan upgrade work, the Zoo received a \$500k grant from Pub Charity towards the Tiger exhibit as part of the Asia Precinct work, a significant part of its 2011/12 fundraising target. The Trust is progressing with the Asia Precinct project and has gone out to tender on the construction phase since quarter end. The new function space (Kamala's) was officially opened in September. For The Hub, Assembly Architects were a finalist in the 2011 Designers Institute of NZ 'Best' awards and Naylor Love won a silver award in the 2011 Wellington region Registered Master Builders Commercial Projects awards.

Other Organisations:

5.9 Wellington Regional Stadium Trust

Wellington Regional Stadium Trust had a good first quarter. The Stadium hosted eleven events, including the All Blacks v South Africa test and Beervana. The quarter also included four Rugby World Cup events, including the South Africa v Wales and Australia v US pool games. Feedback on the Stadium's (and the city's) role in the Rugby World Cup was very positive.

For quarter one, the Trust tracked above budget. The full year budget is for a net surplus of \$3.74m. An updated full year forecast will be provided with the half-yearly report.

Average ITM Cup attendances for the quarter were 3,816. This was significantly lower than the equivalent period in the previous two years (approximately 5,600 and 11,300). This likely reflects a combination of factors: the continuing

nationwide decline in rugby attendance, the performance of the Wellington Lions, the timing of games right before Rugby World Cup and the compressed scheduling of the games.

In addition, the Trust provided turf management services worth \$88,247 to Basin Reserve during the quarter.

5.10 Wellington International Airport Limited (Public Excluded)

The quarterly report for the quarter ended 30 September 2011 is attached in the appendix. Council officers have reviewed the report. It does not raise any material new issues for the Subcommittee to consider. Wellington Airport was named Australasia's Leading Airport at the 2011 World Travel Awards. As anticipated, domestic passenger numbers were down in September as a result of the impact of RWC2011 on corporate activity.

5.11 Karori Sanctuary Trust

The Trust has exceeded its quarterly visitor target by 3% and last year's quarter one result by 9.7%, mainly due to pre-booked tours to see Sirocco. The Trust's exhibition space won a silver award for Best Spatial Design and Zealandia was ranked 4th of 118 Wellington visitor attractions on Trip Advisor. A number of strategies have been implemented to enhance the education and visitor experience, including the building of three tuatara nurseries.

At the last CCOPS meeting, the Subcommittee requested that the Trust provide any request for operational funding support from the Council by 30 November 2011.

6. Conclusion

A short report prepared by officers is given for each entity's quarterly report which summarises the information for the quarter and relevant current issues. The issues for the Subcommittee to consider have been determined after review of the documents by officers and discussion with the entities. After considering these reports, the Subcommittee can, if it considers it appropriate to do so, draw any matters to the attention of the Strategy and Policy Committee.

If it considers that it will help clarify the information presented or assist with its monitoring role the Subcommittee can also ask the Chair to seek responses from a Board or Trust Chair to any queries it may have. These responses will then be tabled at the next meeting of the Subcommittee.

Contact Officers: *Richard Hardie, Portfolio Manager, Council Controlled Organisations, Maree Henwood, Portfolio Manager, Council Controlled Organisations and Natasha Petkovic-Jeremic, Portfolio Manager, Council Controlled Organisations*

Supporting Information

1) Strategic Fit / Strategic Outcome

These entities and projects support the achievement of a range of outcomes across most strategic areas. Where relevant, reference is made to the 2011/12 Annual Plan.

2) LTCCP/Annual Plan reference and long term financial impact

Please refer to the individual covering report that prefaces each entity.

3) Treaty of Waitangi considerations

This report raises no new treaty considerations. Where appropriate the entities do consult with the Council's Treaty Relations unit, and with the Tenth's Trust, as part of normal operations.

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

A draft of each entity report will be circulated to the individual entity, with comments passed on to the sub-committee as appropriate

b) Consultation with Maori

See section 3, above.

6) Legal Implications

The Council's lawyers have been consulted during the year as part of normal operations. There are no new legal issues raised in this report.

7) Consistency with existing policy

This report is consistent with existing WCC policy.